

FY25 Budget

Town Administrator Presentation
Updated 2/6/2024

Upcoming Schedule

2/6/24: Presentation - FY24 midyear report, Revenue discussion, Capital, FY25 budget

2/20/24: Budget meeting: Selectboard discussion begins on Landfill and Wastewater enterprise rates

3/5/24: Annual Town Election, Primary Election, District Election

3/12/24: Continued discussion on Landfill and Wastewater rates, Senior Tax Work-off, tax exemptions

3/21/24: Tentative School Budget Hearing

3/26/24: Selectboard budget hearing

Fiscal Year 2024 Mid-Year Report

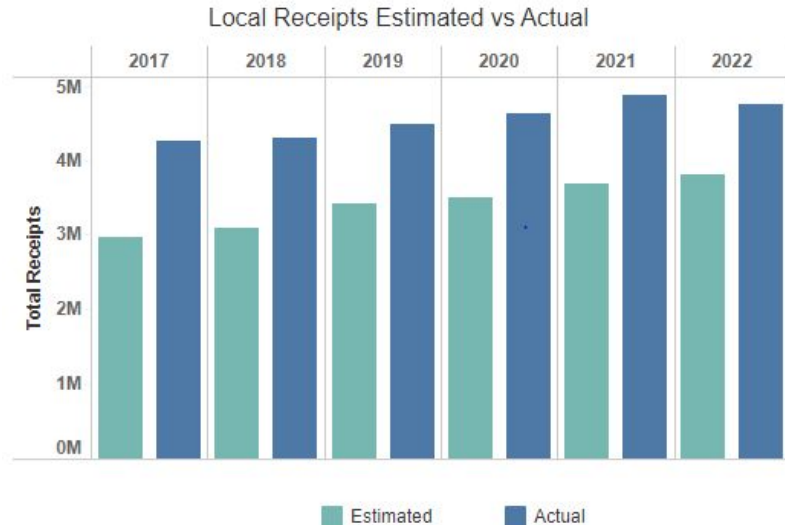
The Town Accountant runs a quarterly report of Expenditures versus Appropriations. The first two quarters (half year) is from July -December 2023.

Revenues: 49.6% of the budgeted revenues have been received as of 12/31/23. Motor Vehicle Excise is only 19.1% because bills are not yet due. Investment income is 870% higher than budgeted due to high interest rates.

Expenditures: 44.8% of the budgeted expenses have been expended through 12/31/23. The Town prepays the entire year of retirement and insurance to get a discount. The Town typically has unexpended funds at the end of the year that become free cash.

Local Estimated Receipts

Local Receipts are locally generated revenues, other than real and personal property. The State details local receipts from every municipality at: www.mass.gov/info-details/trends-in-local-receipts



Local Receipts are approximately 5% of the total budget. The largest revenue categories are:

- Motor Vehicle Excise
 - Payments in Lieu of Taxes (almost all from utilities)
 - License and Permit fees
 - Investment Income
 - Meals Tax
 - Penalties and Interest
-

Cherry Sheet

The official notification to cities, towns and regional school districts of the next fiscal year's state aid and assessments. Aid comes in the form of distributions based on formulas and reimbursements for costs incurred in the prior year. The final cherry sheet is often approved by the state after Town Meeting passes the local budget. www.mass.gov/cherry-sheet-estimates

Education: Chapter 70 is the major source of state aid to public elementary and secondary schools. www.doe.mass.edu/finance/chapter70

The municipality receives reimbursements for payments to charter schools and tuition for school choice students entering the district. The municipality is assessed tuition for charter and school choice to other districts.

Town: The Town receives unrestricted general government aid, and funding to offset veterans benefits and exemptions for the elderly, blind and seniors, payment in lieu of taxes for state owned land, and state aid to local libraries.

The Town is assessed for regional transit, the air pollution district and an RMV surcharge.

Enterprise Funds

An enterprise fund, authorized by MGL, is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. Enterprise funds are approximately 9% of the total municipal budget.

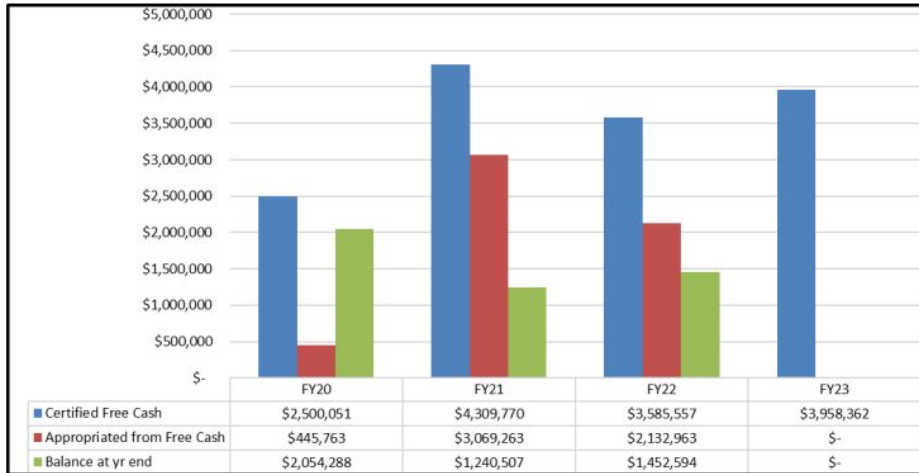
Landfill: Supports the operating expenses for waste and recycling management. A user charge is assessed as the town currently has a green bag system. The town is currently negotiating a new contract that might include a conversion to a tote system.

Golf Course: Supports the operating expenses for the Ledges Golf Course. Free cash is currently used to subsidize the debt. The Town contracts with IGM to manage the course.

Wastewater: Supports the operating expenses of a wastewater system with plants, pipes, and pump stations. The Town charges a flat user fee per residential unit. A major study is underway for what upgrades are needed over the next 20+ years.

Available Funds/Free Cash

Available Funds - Balances in the various fund types that represent non-recurring revenue sources.
Free Cash - Remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items. Usually 1% of the budget.



Free cash is certified by the state in the fall.

Town Meeting must approve the expenditure of free cash.

Free cash is commonly used in for extra OPEB payments and capital projects.

Tax Levy/New Growth

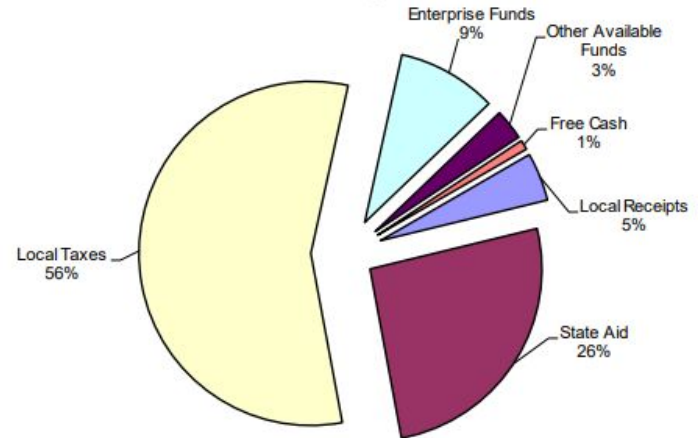
Levy: The amount a community raises through the property tax. The levy can be any amount up to the levy limit, which is re-established every year in accordance with Proposition 2 ½ provisions. **New Growth:** The additional tax revenue generated by new construction, renovations, and other increases in the property tax base. It does not include value increases caused by normal market forces

Property Taxes

Over half of the money required to fund the Town's government must be raised through property taxation.



Where the Money Comes From



Overlay/Exemptions/Local Options

Overlay Reserve or Overlay Surplus: Unused accumulated amount of overlay from previous years that are not required to be reserved in a specific overlay account for a given year. This expense line item covers uncollected taxes, abatements and exemptions

Exemptions and Local Options are either state mandated or can be approved by Town Meeting to provide exemptions to taxation as allowed under Mass General Law. Funding comes from Overlay.

<https://dls.gateway.dor.state.ma.us/reports/rdPage.aspx?rdReport=LocalOptions.PropertyTax>

Property Tax Exemption Clause adopted:

- Adopted 17D Surviving Spouse
- Adopted 41C Elderly Person

Property Tax Exemption Clause to consider:

- Clause 17E and 17F: Widow amounts
 - Clause 37A: Increase amount for blind
-

Investment Income

The Treasurer/Collector to review and make appropriate changes to the Town's banking and investment services to improve efficiency, reduce costs, and increase investment income.

<https://dls.gateway.dor.state.ma.us/reports/rdPage.aspx?rdReport=LocalOptions.PropertyTax>

FY23: 592k income

**FY24 year to date:
552k**

Investment income is conservatively budgeted at 55k per year due to the high variation in interest rates. Raising the budget amount risks having to make cuts in the future. Earning higher than budgeted income has historically helped with Free Cash, which is the primary source of capital funding. For example, Town Meeting voted to use the amount earned over the budget to fund the Mosier Stabilization Fund at the November 2023 Special Town Meeting.

OPEB: Other Post Employment Benefits

Employees of state and local governments earn benefits over their years of service that will not be received until after their employment with the government ends. The most common type of the postemployment benefits is a pension but may also take the form of health and life insurance for eligible retirees, including in some cases their beneficiaries

Since the creation in FY2015, the Town has strived to appropriate a modest amount to continue to work towards offsetting the unfunded liability of Other Post Employee Benefits.



Senior Tax Work-Off Program

Massachusetts offers a tax work-off programs for qualified homeowners to reduce their property tax bill by up to \$2,000 by volunteering for the community in which they live. The Senior Citizen Tax Work-Off is available to senior citizens 60 years of age or older. Town Meeting voted to approve the program starting on July 1, 2024. The town is developing the application, program requirements and the positions to be offered. www.mass.gov/info-details/highly-recommended-tax-work-off

Types of positions that could be offered:

- Office filing in various departments, including scanning, organizing plans
 - Helping with programming at the library, senior center
 - Monitoring and maintaining conservation areas, town grounds - such as painting, gardening
 - Greeting and providing information to constituents in various town buildings
-

Wage & Classification

The purpose of a well-designed Wage & Classification plan is two-fold: to establish internal equity among positions across Town, and to assure external competitiveness. A properly developed and administered plan provides the rules for which employees' compensation is considered within the system.

As a result of receiving a Community Compact grant, the Town engaged the services of the Collins Center for Public Management (Collins Center) to conduct a classification and compensation study of approximately thirty professional positions. Working with the Town Administrator the project objectives were defined as:

- Evaluating and assigning all positions studied to appropriate classifications to assure internal equity; and
 - Developing new descriptions for the positions studied that would include clear definitions of essential functions and requirements.
 - Conducting a market survey to determine relative place in market and recommend an equitable compensation structure
-

Capital

The Town develops a 5 year capital plan that is updated annually. A Capital Planning Committee studies and makes recommendations on the proposed projects and prepares a report. Town Meeting approves Capital expenditures, including those funded by Free Cash articles. The Debt Schedule shows the financial obligations for major projects. Stabilization funds are used to save money for a project and a “rainy day” fund.

Balances as of 12/31/23:

Capital Stabilization Fund
\$2,358,612

Senior Center Stabilization
Fund \$470,476

Mosier Stabilization Fund
\$1,428,192

Mosier

Grades: 2-4

Opened: 1969

Enrollment: 456

Last renovation: 2004

Square footage: 57,788

Over the next 5-7 years, the Town will be researching and discussing the renovation or replacement of Mosier School.

The Town has started a multi-year process with the state to conduct a feasibility study of the options, form a local building committee of community stakeholders, hold public meetings, and then ultimately vote at an election to fund a project.

Follow the project and provide input at:

www.southhadleyschools.org/Page/7477

South Hadley Financial Policies

Budget Purpose

As the Town's central policy document, the budget lays out the community's prioritization of annual, and longer-range objectives, identifies financial goals, and articulates challenges. An instrument for turning strategic plans into reality, the budget constitutes a contract between the Town and its residents, explaining how funds are to be raised and allocated for the delivery of services.

Budget Document

The Town Administrator will produce a transparent and user-friendly budget document that illustrates the budget's short- and long-term strategic goals. It will incorporate narrative information on departmental and organizational goals, provide details about the plans and resource allocations needed to meet them, and include graphical information about available financial resources.

Budget Forecasting

The Town Administrator will annually create a detailed forecast containing five-year projections of revenues and expenditures for all operating funds. In basic terms, this entails reviewing historical revenue and expenditure trends, anticipating factors that may impact those trends going forward, analytically developing assumptions, and then formulating reasonable revenue and realistic expenditure projections.

FY2025 Budget: Revenue Considerations

- **State Aid (net):** 1.48m increase in FY23, 1.2m increase in FY24, 26k increase in FY25
 - **Property taxes** - 2.5% plus new growth and debt exclusion adds ~\$1m. New growth is DOWN.
 - **Local receipts:** increase by 200k over FY24
 - **Retained earnings:** Wastewater and Landfill will need rate increases
-

FY25 State Budget - Process and Municipal Impact

PROGRAM	FY2022 Cherry Sheet Estimate	FY2023 Cherry Sheet Estimate	FY2024 Cherry Sheet Estimate	FY2025 Governor's Local Aid Proposal	FY2025 House Budget Proposal	FY2025 Senate Budget Proposal	FY2025 Conference Committee
Education Receipts:							
Chapter 70	8,585,949	9,676,866	10,678,231	10,732,741			
School Transportation	0	0	0	0			
Charter Tuition Reimbursement	204,091	431,362	628,133	476,833			
Smart Growth School Reimbursement	0	0	0	0			
Offset Receipts:							
School Choice Receiving Tuition	946,085	814,453	632,951	676,000			
Sub-Total, All Education Items:	9,736,125	10,922,681	11,939,315	11,885,574			
General Government:							
Unrestricted Gen Gov't Aid	2,870,417	3,025,420	3,122,233	3,215,900			
Local Share of Racing Taxes	0	0	0	0			
Regional Public Libraries	0	0	0	0			
Veterans Benefits	189,563	188,214	140,671	170,316			
Exemp: VBS and Elderly	83,194	83,114	74,277	73,610			
State Owned Land	33,187	42,597	47,950	48,179			
Offset Receipts:							
Public Libraries	41,868	48,970	55,858	56,263			
Sub-Total, All General Government:	3,218,229	3,388,315	3,440,989	3,564,268			
Total Estimated Receipts:	12,954,354	14,310,996	15,380,304	15,449,842			

Expense Considerations

- Wage and Classification: Begin implementation of new program
 - CBAs: third year of School, DPW and Police increases in FY25, negotiating Unit A/B
 - Benefits: 8% increase (proposed at 9%, voted at 8%, future years will be high too)
 - Utilities - Usually factor in increases. Rates to be determined
 - Inspectional Services - need more enforcement
 - Council on Aging - Move $\frac{1}{3}$ of two existing positions from grant to budget
 - Veterans - move to district will add costs
 - Facilities - need more funds for maintenance as buildings age
 - School Department - contracted increases and loss of ESSER funds
 - Insurance and Retirement estimated to go up by more than 8%
-

FY2025 Budget Process - The 3 Rs

Review

Reorganization

Refinement

1. REVIEW

Town:

- Wage and Classification study
- FY2024 Review and FY2025 Objectives
- Research models

School:

- Programming
 - Staffing
 - Policies and Procedures
-

2. REORGANIZATION

Town:

- Consolidate and collaborate to reduce redundancy and increase impact
- Ensure a human services, customer service focus

School:

- Relationship between Regular /Special Education
 - Tier I Instruction
 - Curriculum and Instructional Resources
 - Placement of Staff
-

3. REFINEMENT

Town:

- Focus on digitalization and processes to improve customer service, transparency and access
- Conduct staffing studies
- Review bylaws for organizational improvements
- Invest in positive growth

Schools:

- Job Descriptions
 - Professional Development
 - Technology and Devices
 - Bullying Prevention and Intervention
-

Next steps

- Working groups
 - Engagement of boards and stakeholders
 - Multi-year budgeting
 - Bargaining and impact bargaining
 - Public forum and meetings for public input and participation
 - Develop and publish information
-